NGWG

Stakeholder Meeting
California Energy Commission
July 13, 2006

Jairam Gopal

Natural Gas Market Assessments

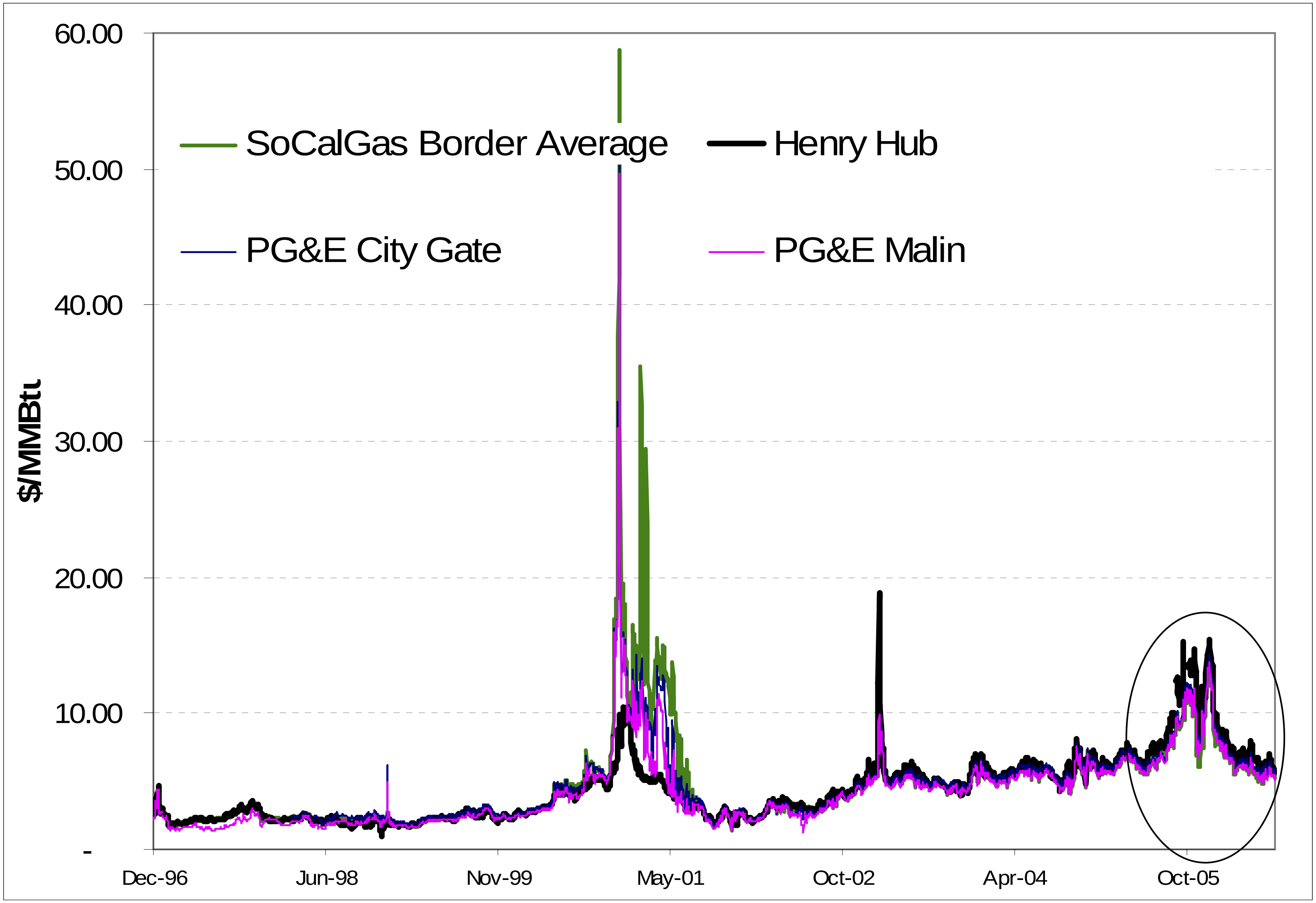
Agenda

- Introductions
- Market update
- Natural gas quality specifications and interchangeability issues
- Comments by parties
- Question – answer / discussion session
- Next meeting / adjourn

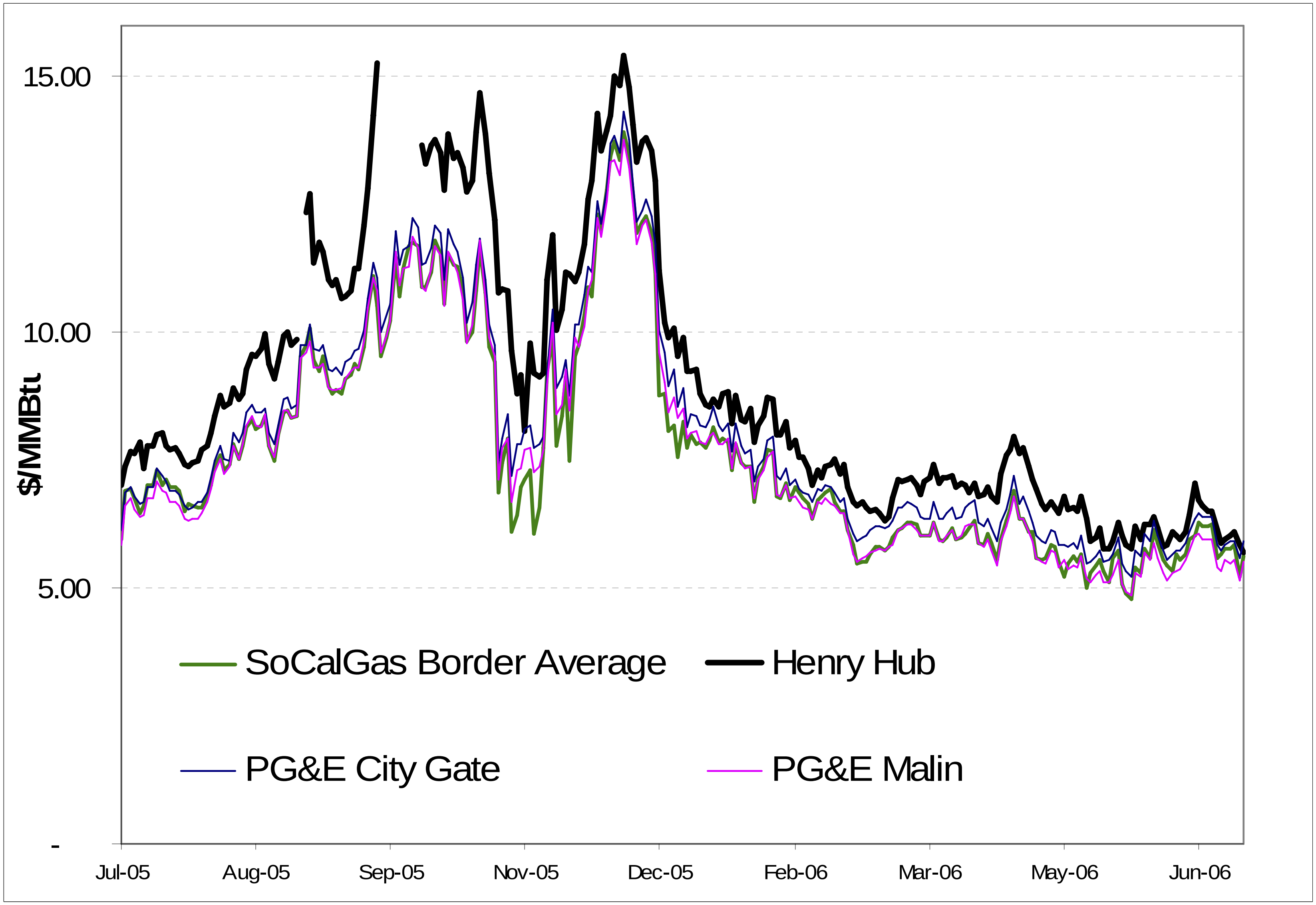
Natural Gas Market
Assessment & Update

- Comparison of HH and California prices
- Major utility operations and trends
- California and national storage trends
- California drilling permits and production
- Utility maintenance schedules
- Weather outlook – next 3 months
- NYMEX HH and California Futures
- Regulatory trends and issues

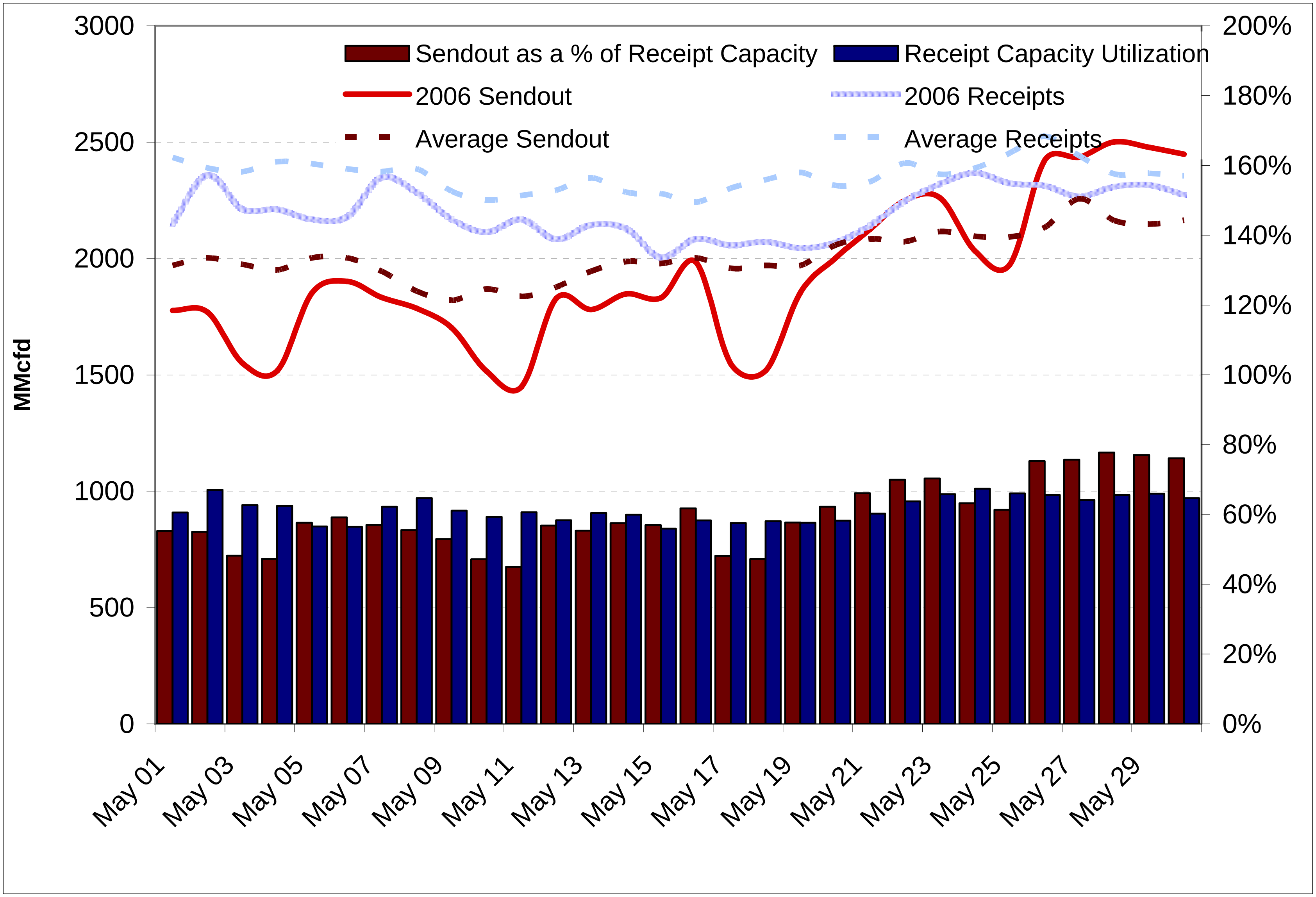
Natural Gas Spot Prices (2006$/Mcf) California at a glance



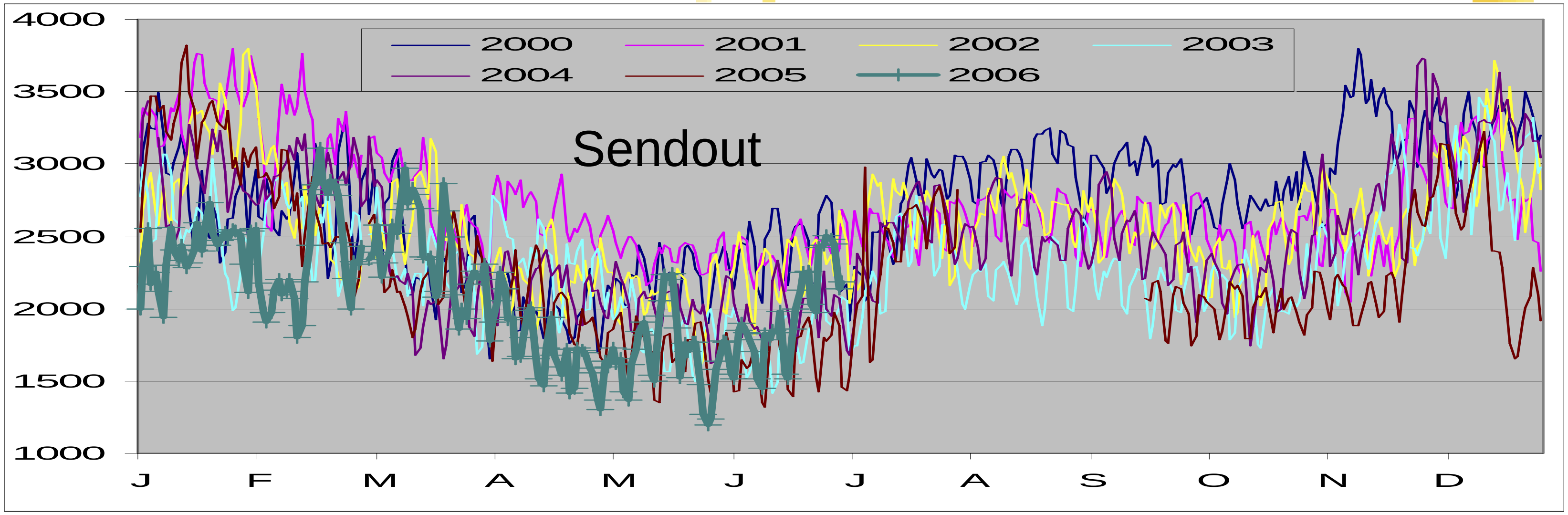
Natural Gas Spot Prices (2006$/Mcf)
California at a glance (cont.)

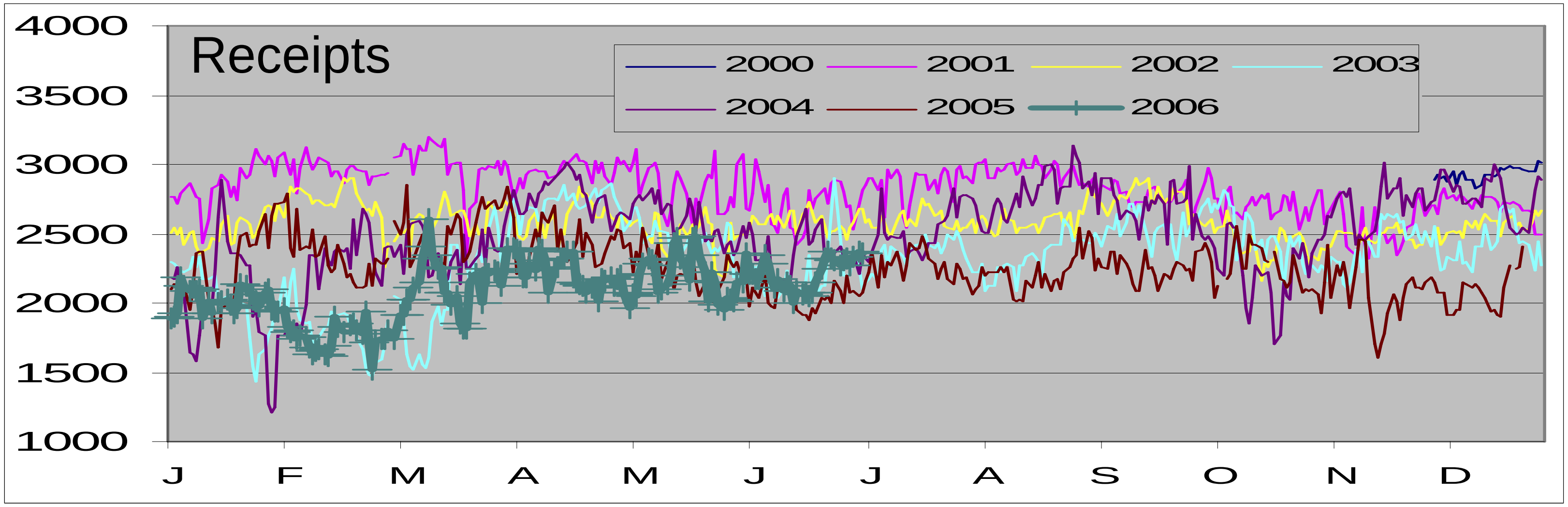


PG&E System Operations

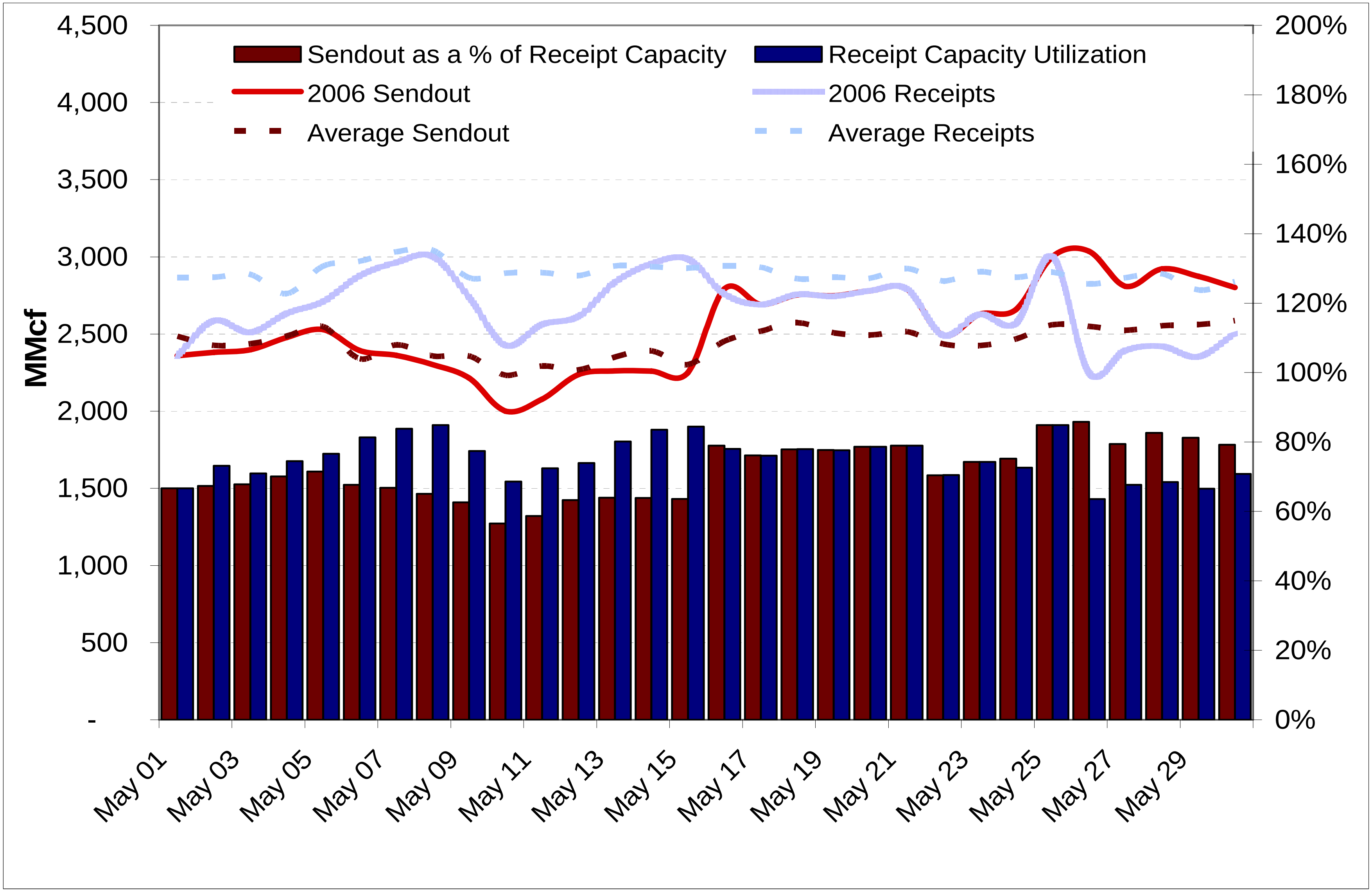


PG&E Receipts and Deliverables (MMcfd)

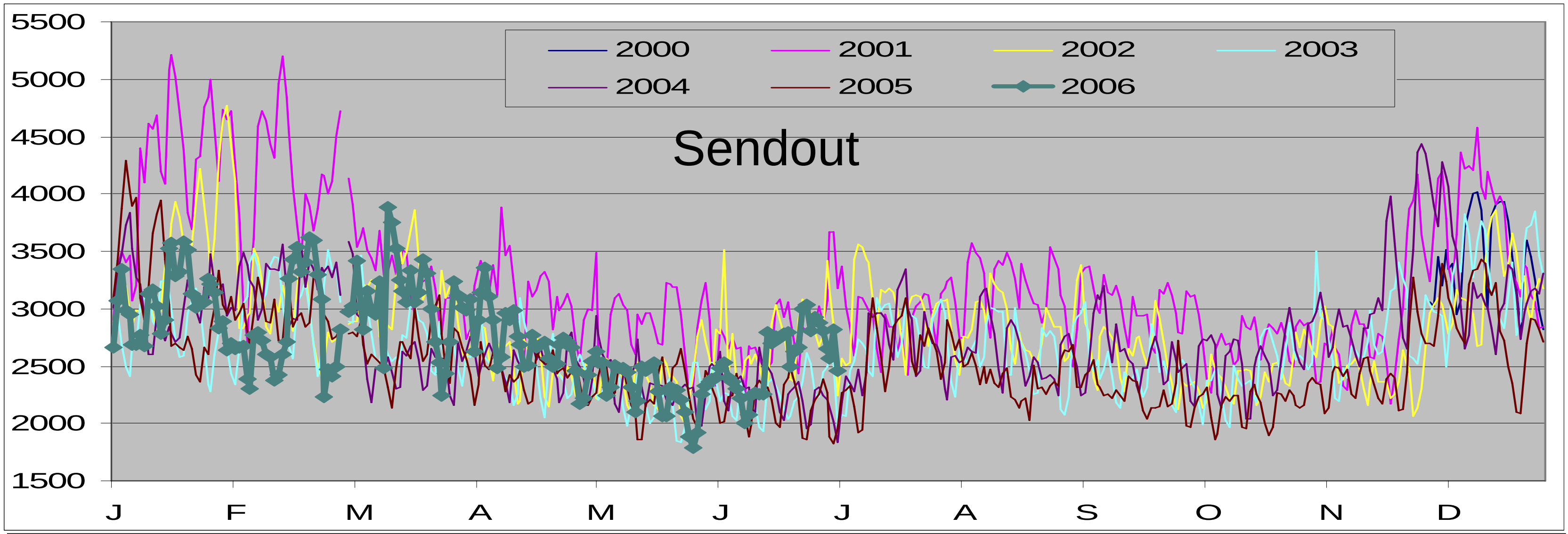


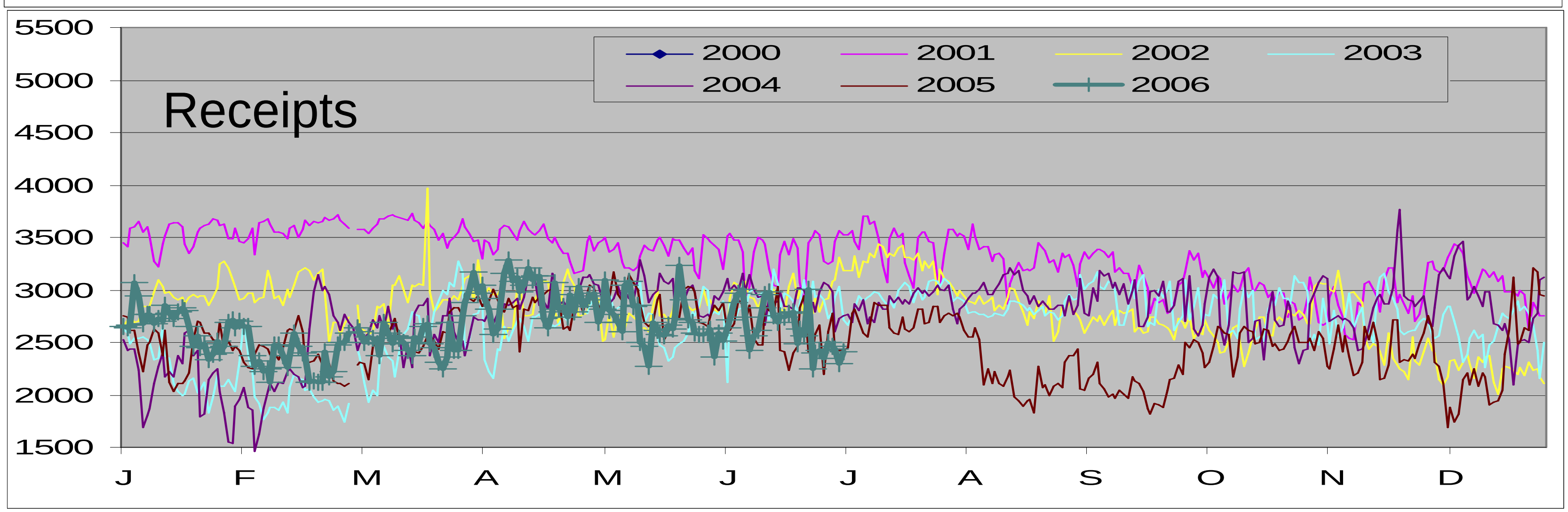


SCG System Operations

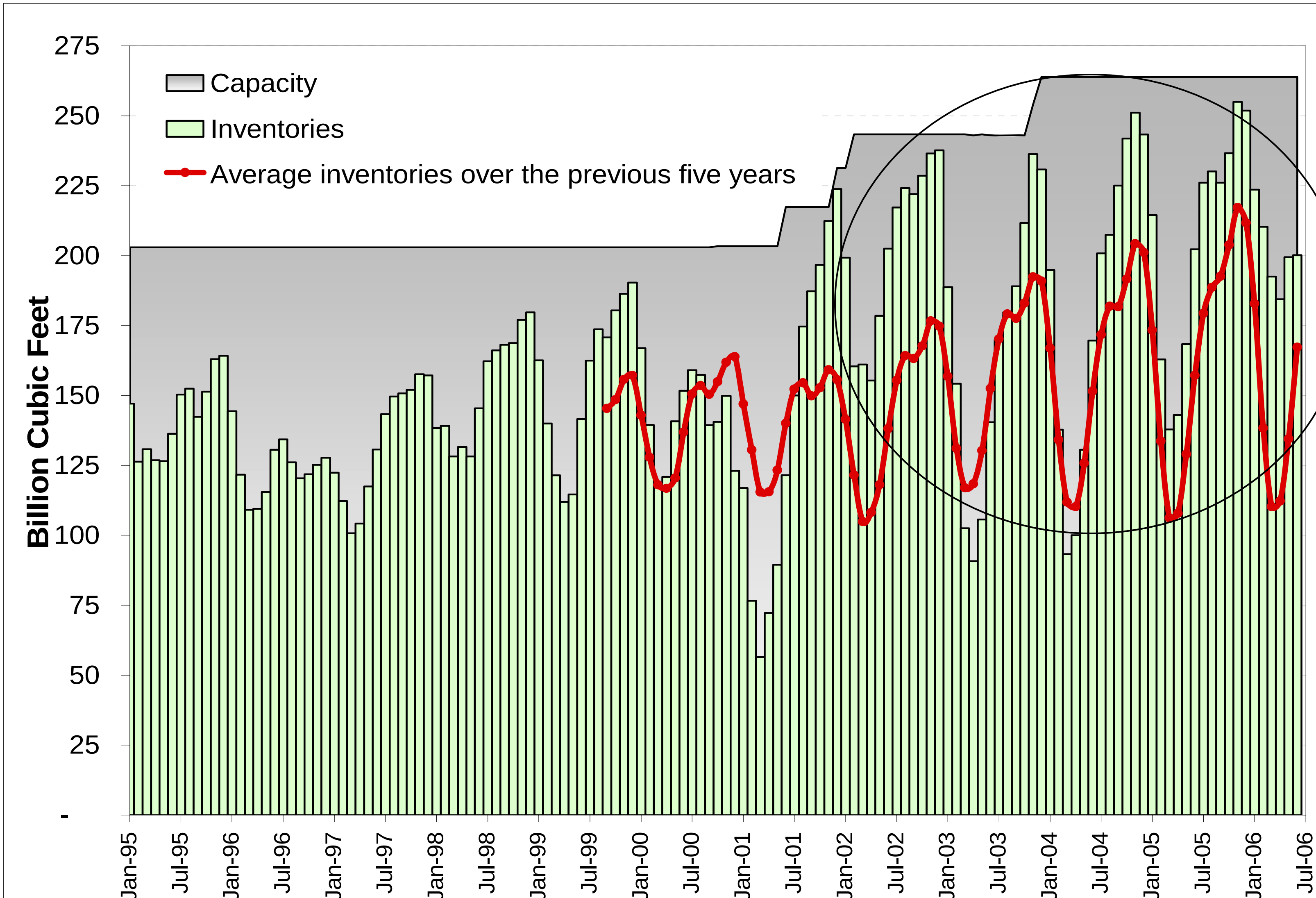


SoCal Gas Receipts and Deliveries (MMcfd)



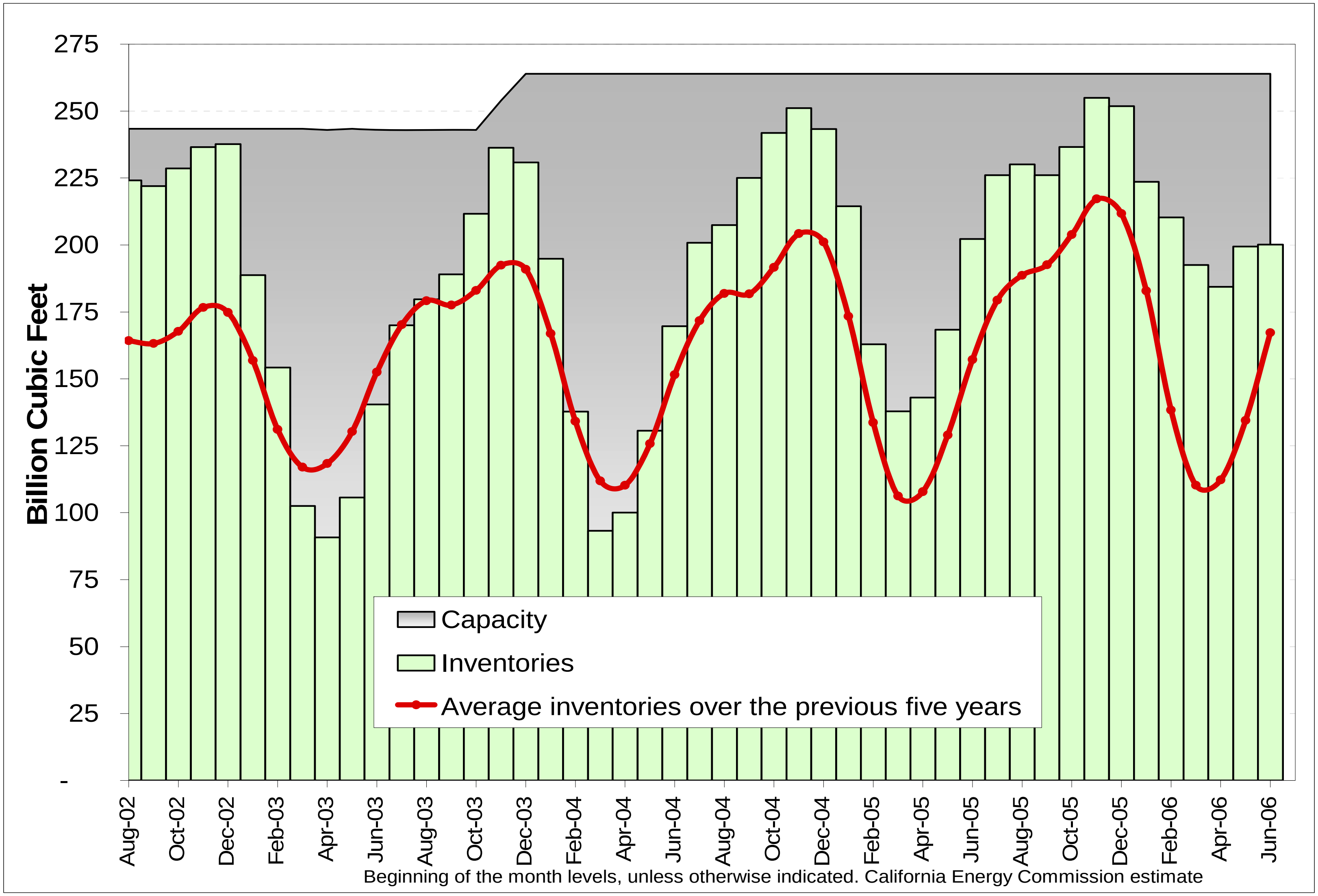


CA Storage Capacity and Utilization

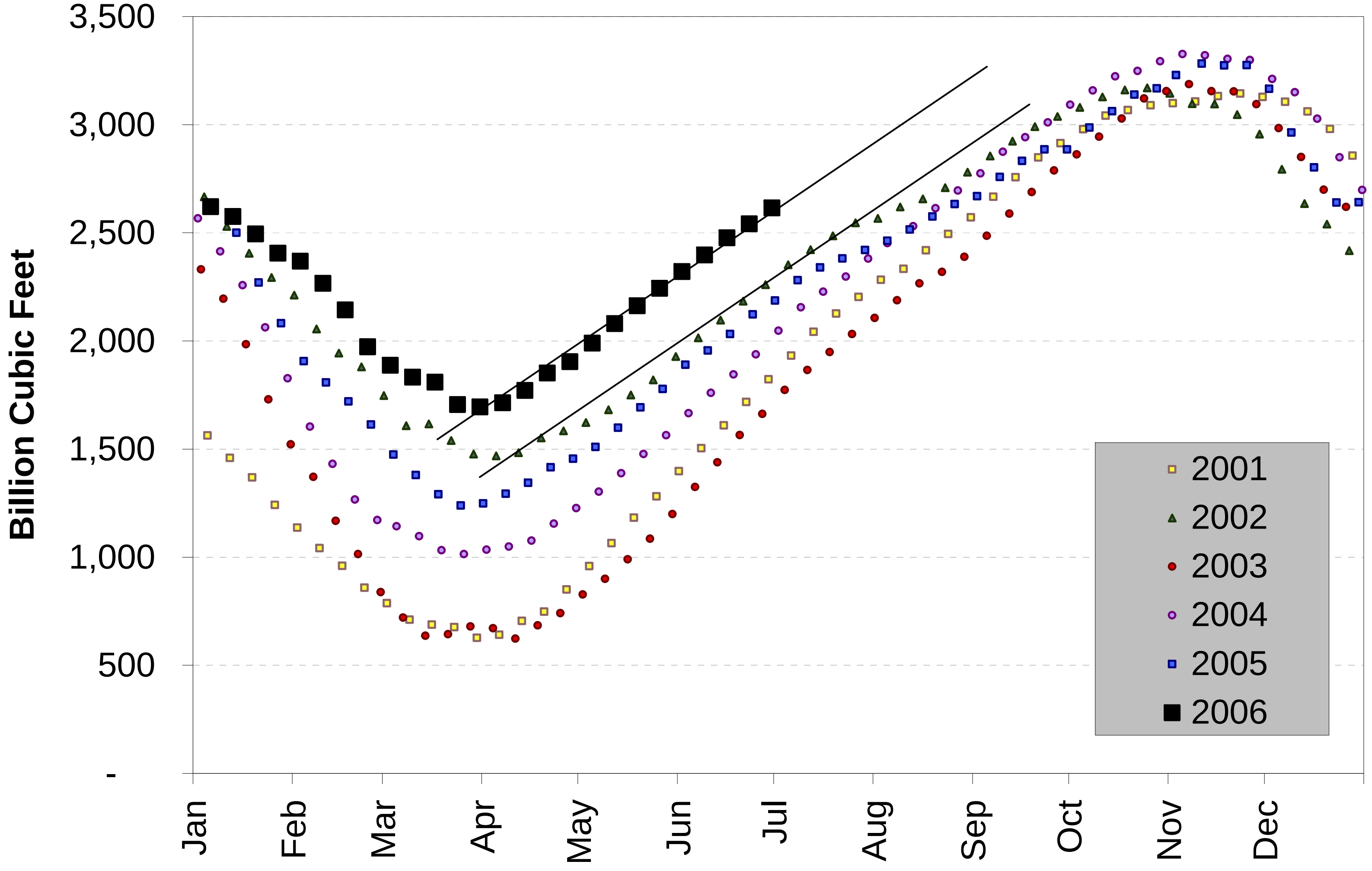


Beginning of the month levels, unless otherwise indicated. California Energy Commission estimate

CA Storage Capacity and Utilization



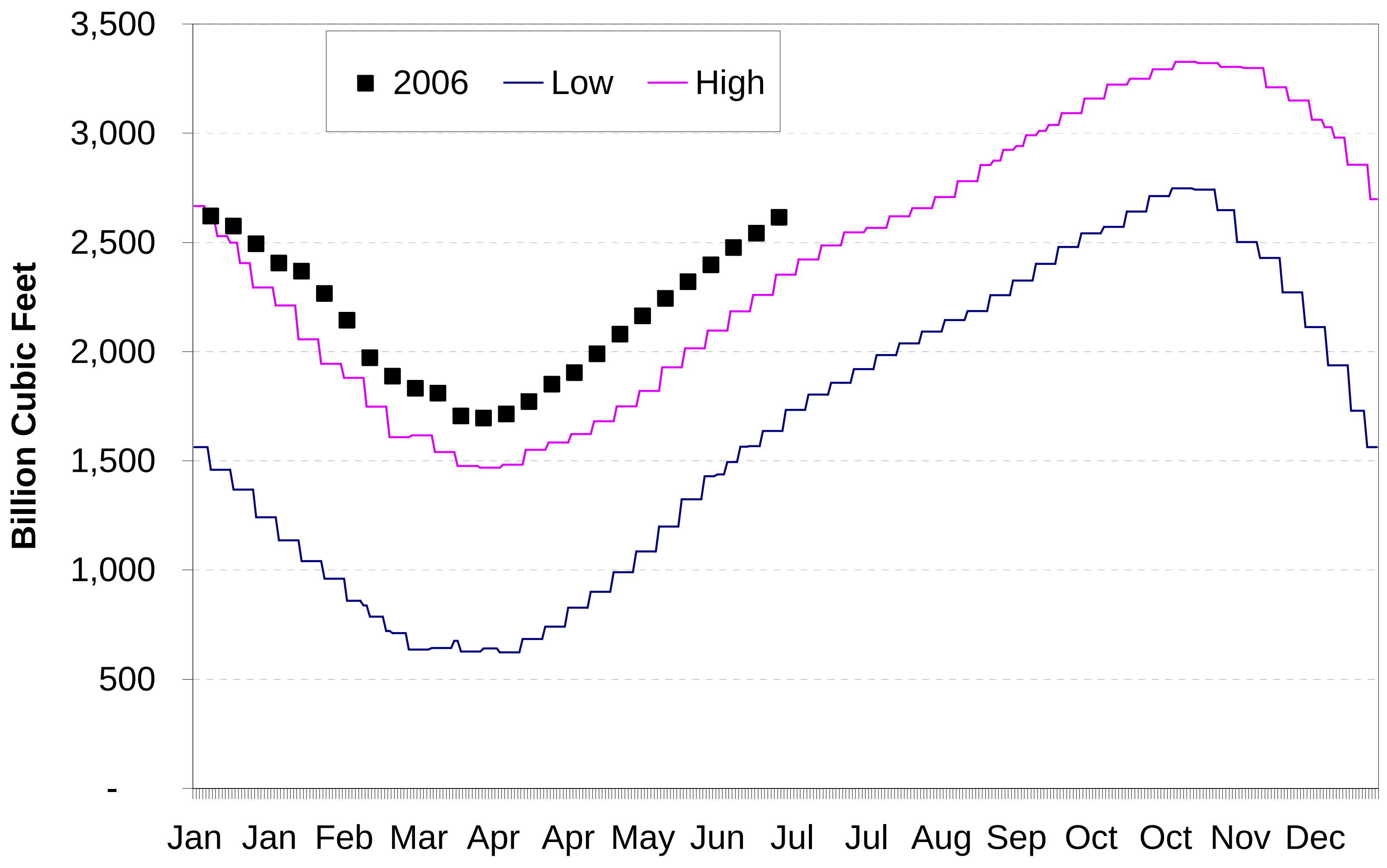
U.S. Storage Monthly Inventory (Bcf)



Current U.S. Natural Gas Storage Capacity: 3,294 Billion Cubic Feet; Sources: EIA

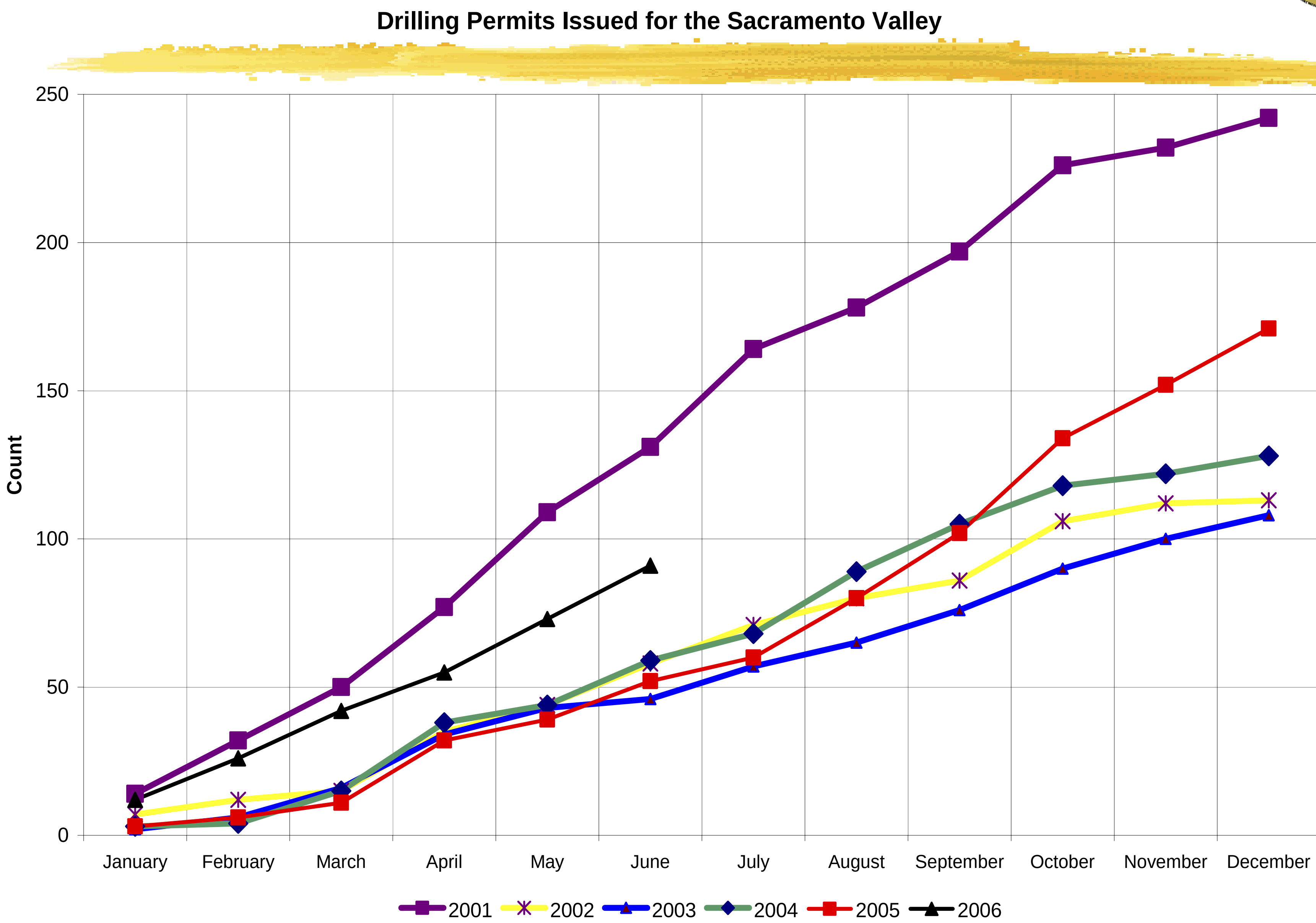
U.S. Storage Inventory (Bcf)

Compared to 5-year high and low levels)

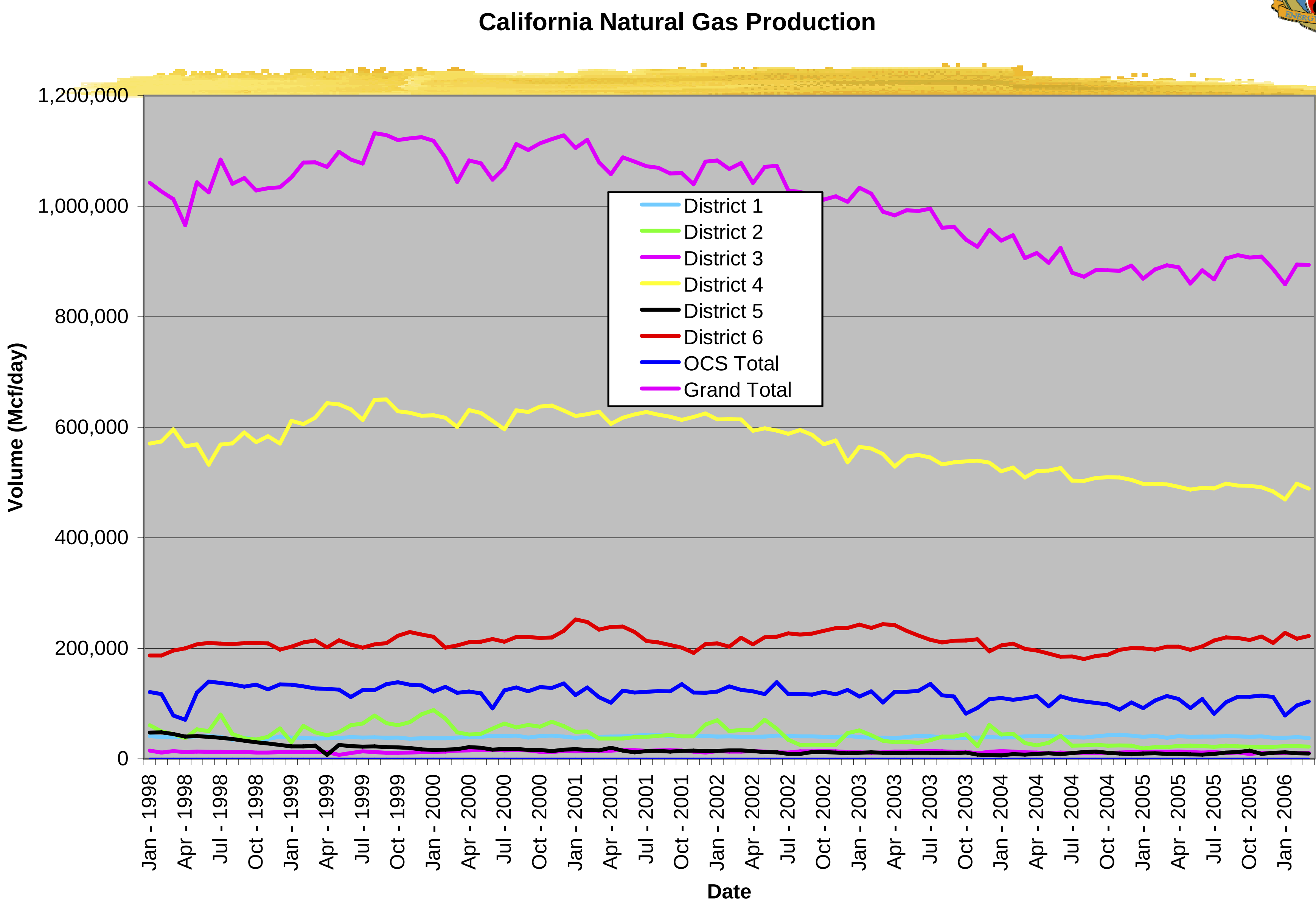


Current U.S. Natural Gas Storage Capacity: 3,330 Billion Cubic Feet; Sources: EIA

CA Drilling Permits



CA Regional Production



Pipeline Operations – PG&E

- Redwood Path: Minor maintenance scheduled on compressors. Overall operational capacity anticipated to be around 95 percent or higher through July 2006. In August and September there is no scheduled maintenance.

- Baja Path: Routine maintenance and repair scheduled for July 11-17, 2006, is anticipated to drop capacity to about 80 percent. Capacity in other months is anticipated to be at 100%.

Pipeline Operations – SCG

- July 18-19 scheduled repairs will potentially lower Aliso Canyon injection rates by about 100 MMcfd.No maintenance or repair scheduled for June 2006

Interstate Pipeline Operations

- El Paso Pipelines: Scheduled maintenance services at various points on the pipeline system throughout the month of July is anticipated. Maintenance during the latter part of July could impact capacity by about 400 MMcfd on specific days. Maintenance during August 8 – 11 also can impact capacity by about 400 to 600 MMcfd. Otherwise, July through September is anticipated that the minor maintenance would not have any lasting impact on capacity and is anticipated to be about 100 MMcfd or less throughout the 3-month period.

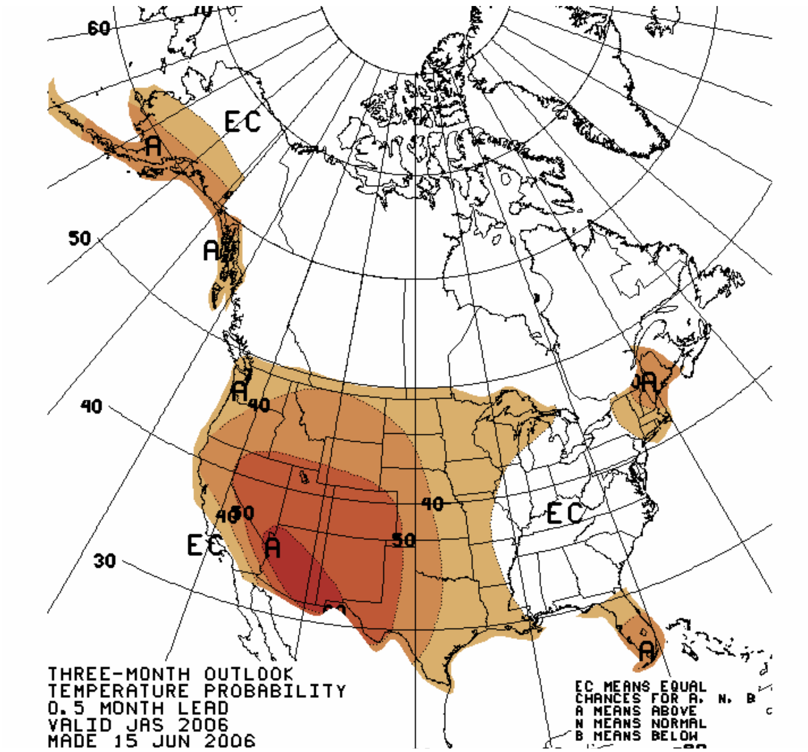
- TCPL – GTN Pipeline; There is no anticipated maintenance during July and August. September calls for a number of days on which maintenance work is necessary, with a total of 17 days (7-13, 18-20, 21, and 22-27) Capacity impact at the US-Canada border can be as large as a reduction of about 600 to 800 MMcfd of capacity. Capacity to California is not expected to be diminished, but the loss in upstream capacity can lead to customer impacts.

Interstate Pipeline Operations

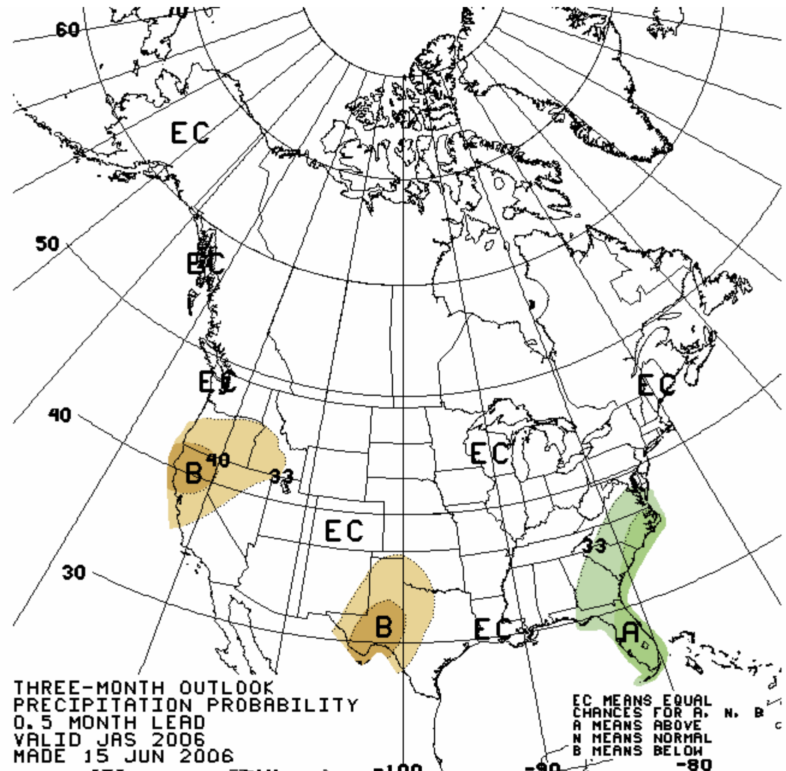
- Kern River Pipeline: Scheduled maintenance in July is anticipated to be about 4 hours and about 2 days in September. These shutdowns are not expected to have any issues on supply availability. October comes with a larger number of scheduled outages on 7, 9-12, 17, 24-35 of September. The maintenance during the next three months is not expected to impact firm customers, but could impact interruptible customers.

- Southern Trails Pipeline: Routine maintenance scheduled to occur in July, August and September, lasting about 4 days in July and August and 6 days in September. There will be some minor impacts on customers as a result of shutdowns due to compressor maintenance.

July - September Weather Outlook (NOAA)

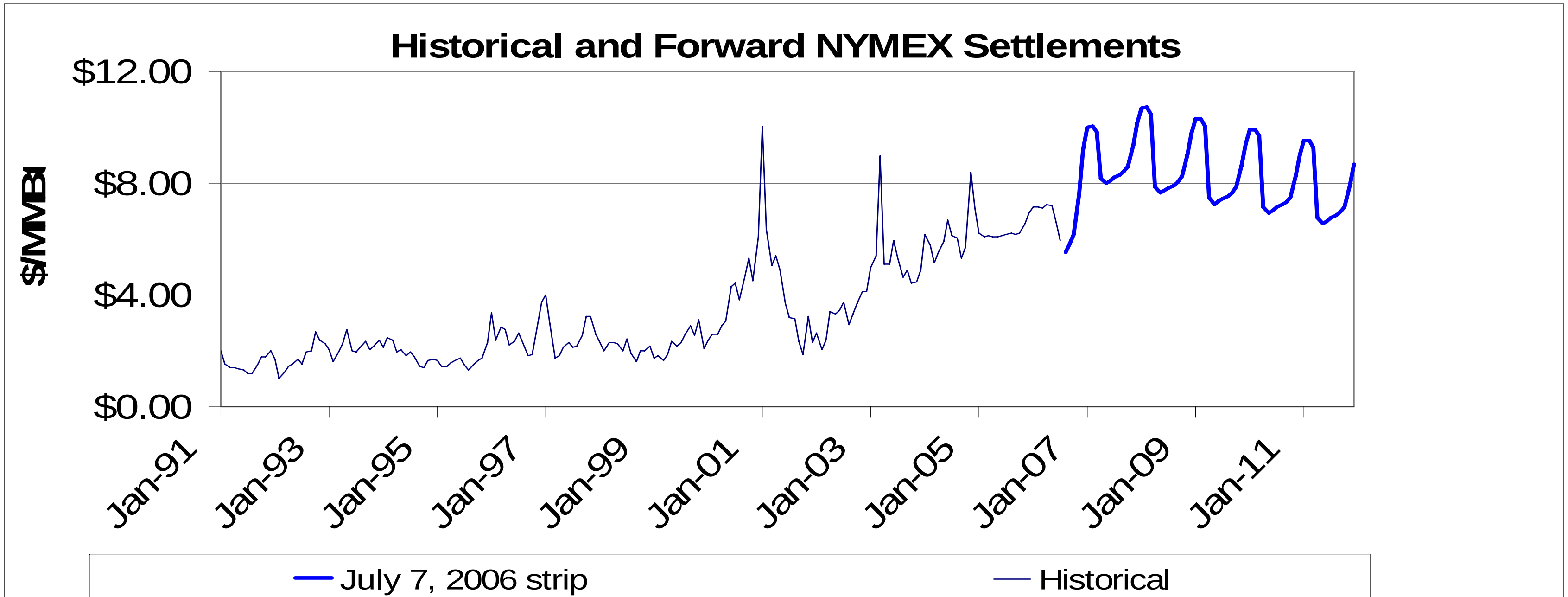


National forecast for July-August-Septemberne suggests chances for above normal temperatures the West South, New England and Florida regions and normal temperatures in the rest of the US.



National forecast suggests lower than normal precipitation for the pacific northwest and Houston area and mostly normal precipitation throughout the US,

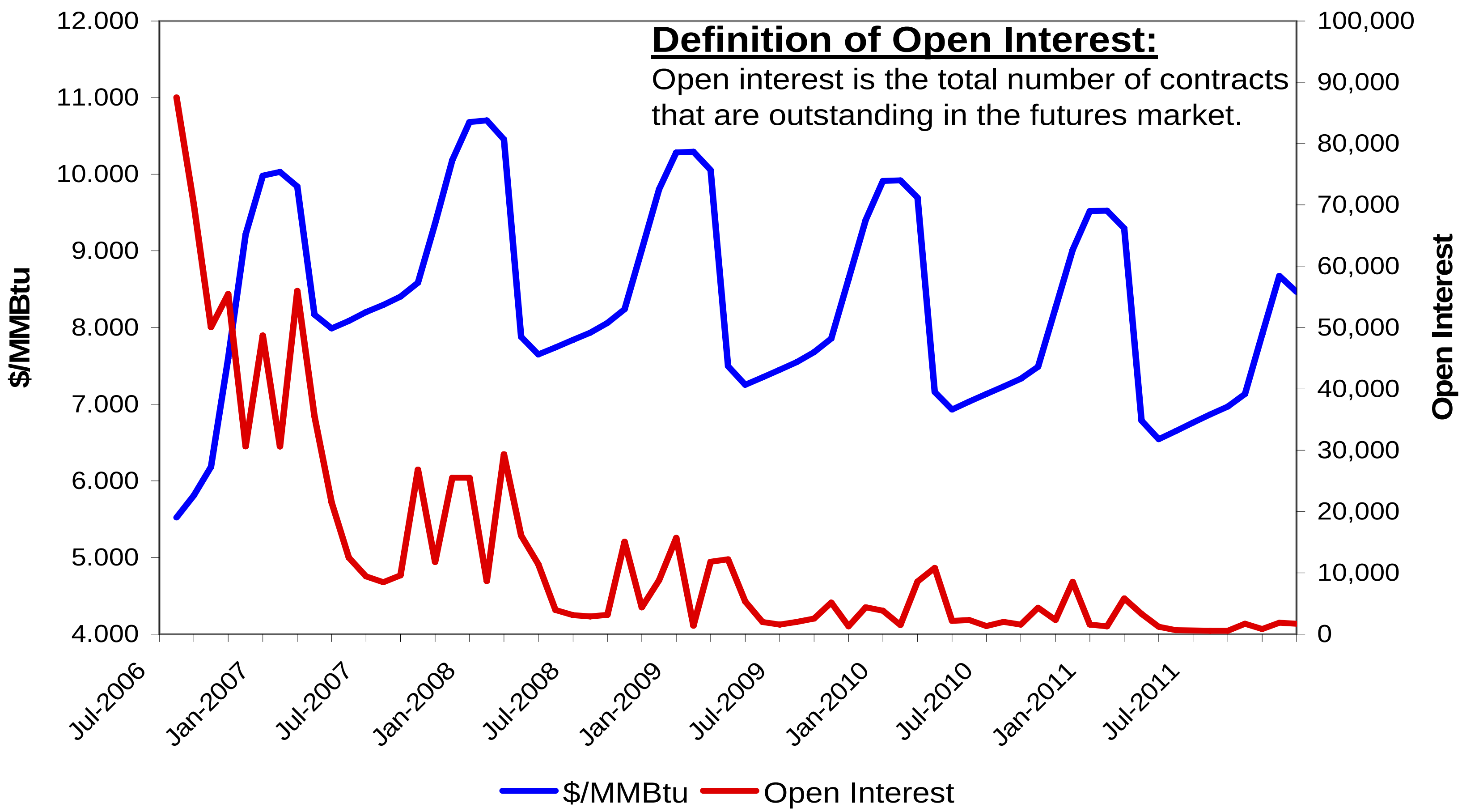
NYMEX Futures Prices



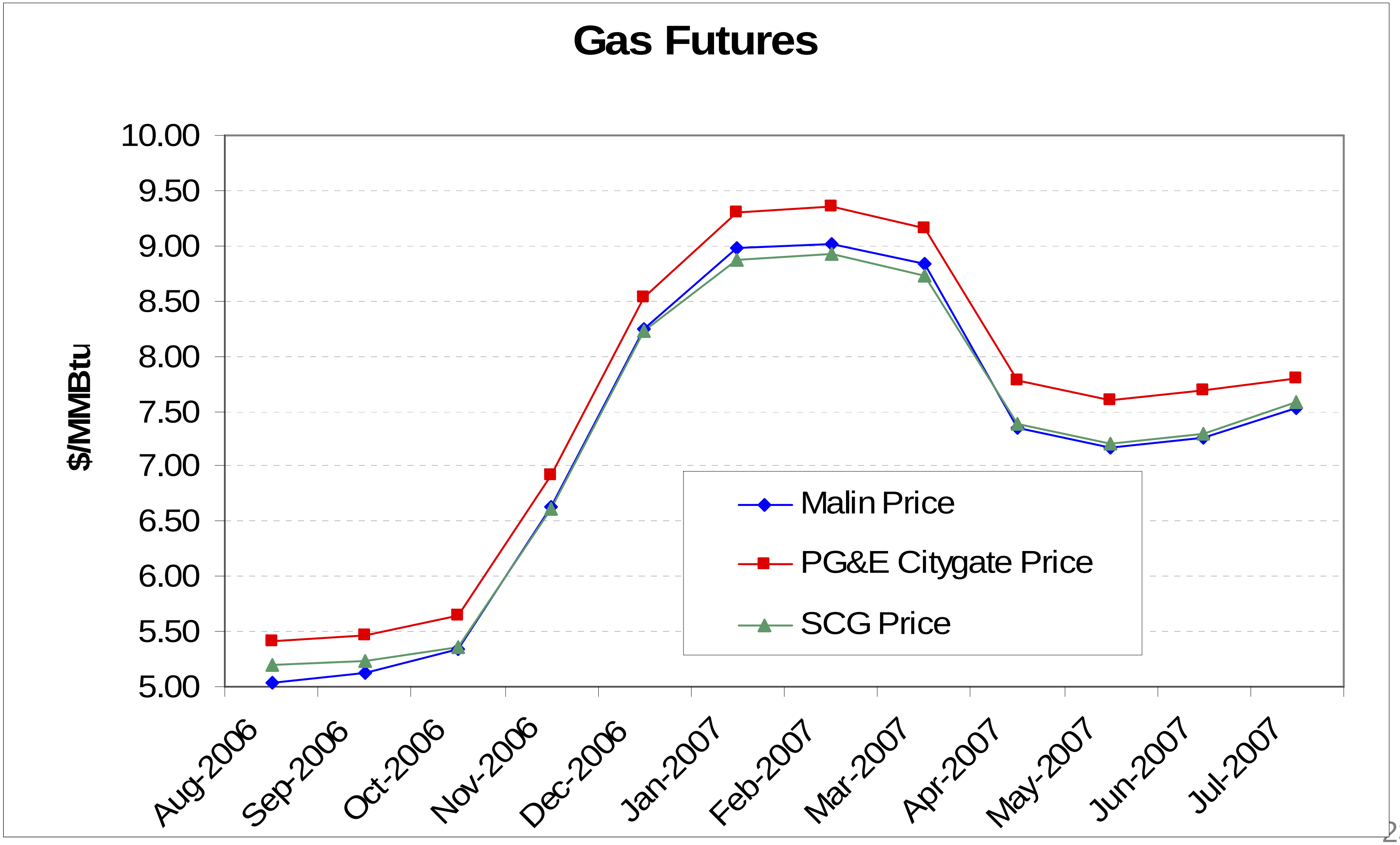
	Natural Gas Strip Price Average (For Gas Years Beginning August 1, 2006)		
July 7, 2006 Settlement Data from www.nymex.com	August 2006-July 2007	1 Year	$ 8.052
	August 2006-July 2008	2 Year	$ 8.494
	August 2006-July 2009	3 Year	$ 8.519
For more information, contact Jairam Gopal @ (916) 654-4880	August 2006-July 2010	4 Year	$ 8.445
	August 2006-July 2011	5 Year	$ 8.325
	August 2006-December 2011	6 Year	$ 8.288

NYMEX Futures Prices (Cont..)

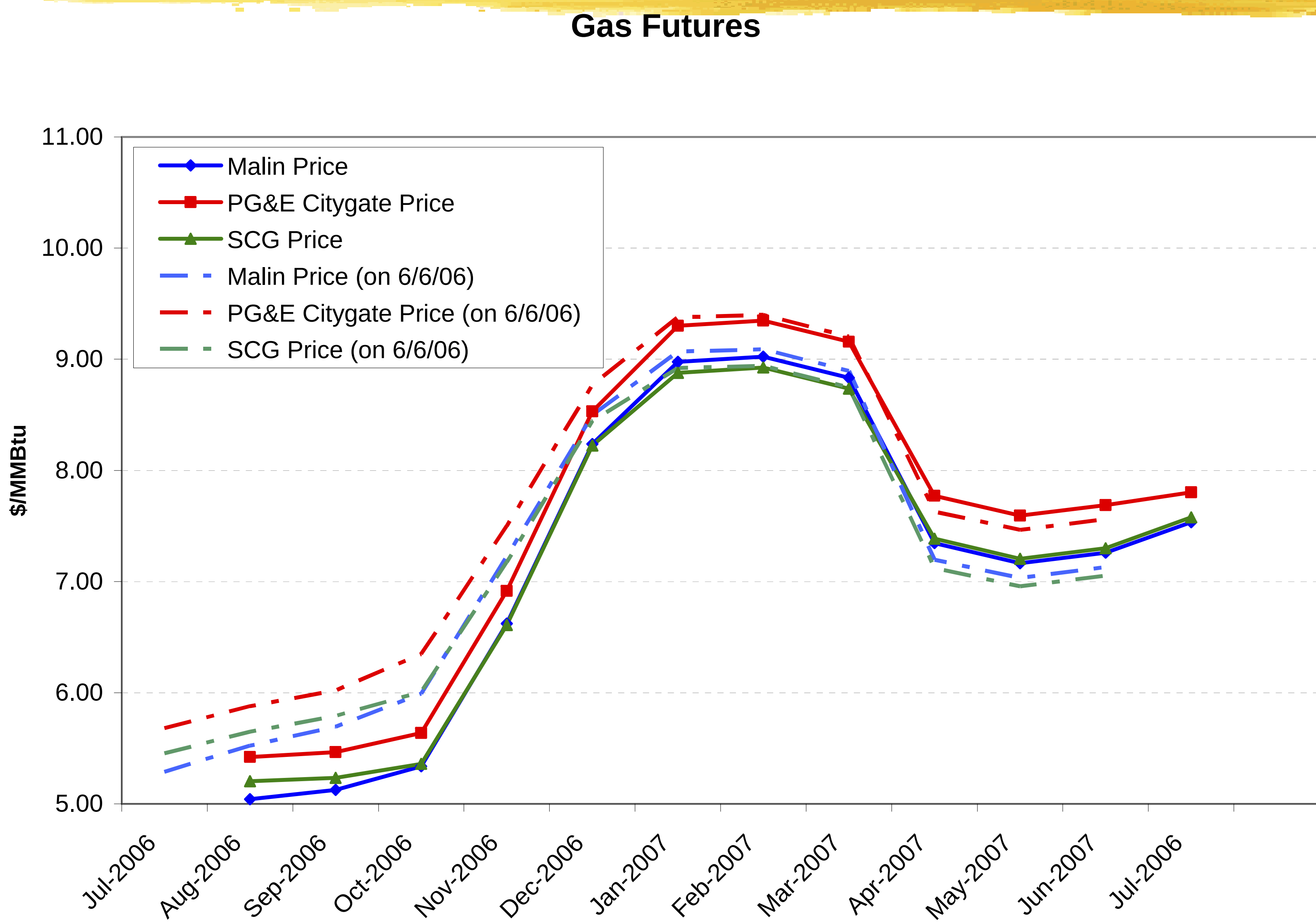
Forward NYMEX and Open Interest Settlements



12-Month Gas Futures for CA Regions



Comparison for 12-month June and July 2006 futures Prices in California



California Public Utilities Commission Cases

Proceeding Number & Title	Description	Status
I.02-11-040: Investigation on Natural Gas Prices from December 2000 to May 2001 I.03-02-033 Sempra Affiliate Investigation	Investigates gas market activities of California utilities and their impact on gas prices at the California border from March 2000 through May 2001.	On June 2, 2006, Edison & Sempra utilities files for suspension of proceeding, saying settlement agreement has been reached. On June 12th, stay is granted by ALJ.
A.04-01-034 SoCalGas "Native Gas" Production and Revenue Sharing	SoCalGas requests authority to produce natural gas in vicinity of storage fields, and share revenues from sales with customers	CPUC issues Decision 06-06-065 on June 29, 2006, adopts settlement agreements, allows SoCalGas to produce gas found in vicinity of storage fields, share production costs and sales revenues with ratepayers.
R.04-01-025 Policies and Rules to Ensure Reliable, Long-term Supplies of Natural Gas to California	Considers and rules on California natural gas utilities' proposals to ensuring reliable, long-term supplies of natural gas to California, including interstate pipelines, LNG, storage, and in-state production.	Waiting for proposed Phase II decision by ALJ. Issues: infrastructure adequacy, reliability standards, local transmission expansion policy, interconnection and balancing agreements, natural gas quality, expanded NGWG.
A.04-08-018 SoCalGas, access for natural gas provided by California gas producers	Establish the terms and conditions under which natural gas produced by California gas producers will be granted access to the SoCalGas operating system	Briefs filed on April 7th, reply briefs filed April 27th. Proceeding now ready for a proposed decision by ALJ.

California Public Utilities Commission Cases

Proceeding Number & Title	Description	Status
A.04-12-004 SoCalGas/SDG&E to establish firm tradeable rights, system integration and off-system deliveries	Proposes a system of firm, tradeable receipt point capacity rights; integration of SoCalGas and SDG&E transmission rates; and authority to make deliveries of gas off the SoCalGas/SDG&E system	Decision issued April 13th adopting system integration. Firm access rights now to be addressed in next phase. Testimony due in July, hearings to occur in August.
A.05-03-001 PG&E for adoption of policy and procedure for acquisition of incremental core gas storage	Proposes adding core storage to meet new reliability standard, and procedure under which PG&E would obtain new storage capacity, including for independent storage providers.	ALJ proposed decision issued June 20, 2006. PD adopts core reliability standard with firm rights (coldest day in ten years), allows PG&E to issue RFO for incremental core storage from independent storage providers as well as from PG&E. New core storage capacity to be available April 2007. Orders parties to discuss creditworthiness.
A.05-10-012: SoCalGas cushion gas proposal	SoCalGas proposes reclassifying 4 Bcf of cushion gas to working gas, selling gas to CARE customers at original cost	CPUC approved cushion gas transfer on Nov 18, 2005. Allocation of revenues and noncore benefits still issues. Briefs filed April 14th, reply briefs filed May 3, 2006. Waiting for ALJ proposed decision.
PG&E (R.04-01-025, A.06-05-007) and SoCalGas/SDG&E (R.04-01-025) Gas Hedging Proposals	PG&E proposes expanded gas hedging for upcoming winter, and long-term hedging plan. SoCalGas/SDG&E propose plans for upcoming winter. All costs/gains outside incentive mechanisms.	Filings made May 2006, responses to ALJ questions filed June 5th, hearings held June 9th and 16th. Waiting for ALJ PD to be issued.

California Public Utilities Commission Cases

Proceeding Number & Title	Description	Status
A.06-05-033 Wild Goose applies for transfer of control from EnCana to Niska Gas Storage	Change in ownership of Wild Goose	Application filed May 26, 2006
FERC CP04-58 Sound Energy Solutions LNG Terminal at Port of Long Beach	SES proposes to construct an LNG terminal in the Port of Long Beach	The CPUC filed testimony on saftey issues in October and December 2005, pointing out deficiencies in the October 2005 draft EIR issued by the FERC. Waiting for final EIS/EIR.
FERC RP05-422 El Paso General Rate Case	El Paso proposes new services and cost of service.	CPUC and utilities active intervenors. FERC Order issued on on new services. Cost of service issues now to be addressed in 2006. Settlement conferences being held. FERC staff analysis issued. Proceeding may last into 2007.
FERC RP06-407 GTN General Rate Case	On June 30th, GTN proposes at FERC cost of service, rate increase of 70%	CPUC to file protest, will intervene

Questions?